

Washington, D.C. - Following an unprecedented drop in the value of families' college savings, Rep. Melissa Bean (IL-08) today introduced legislation to give families more options on how to use their 529 college savings accounts to afford higher education. *The*

College Savings Flexibility Act

would temporarily expand allowable uses of 529 college savings accounts to include student loan repayment.

One-third of American families who save for college invest in 529 accounts, which lost \$23 billion between 2007 and 2008. Current law limits use of funds to pay for education costs that are due immediately, such as tuition, fees, room and board, books and supplies. Bean's proposal gives families the choice to use 529 funds to repay student loans, giving these accounts time to recover their value.

"With one daughter in college and another to follow, I keenly understand the financial challenges parents face to fund college education," Bean said. "This bill allows those who've saved in 529 accounts and played by the rules to allow their investments to recover before using them to finance those costs."

Mark Kantrowitz, Publisher of FinAid.org and FastWeb.com and a noted expert on college financial planning, endorsed Bean's bill.

"Congresswoman Bean's bill is an excellent solution to a problem faced by many families who responsibly saved for their children's college educations, only to be faced with huge losses at the last minute," Kantrowitz said. "By allowing families to use 529 college savings plans to make payments on qualified education loans, families will be able to delay taking distributions from their college savings plans while those investments recover from the recent unprecedented stock market losses."

Bean's bill is also endorsed by the National Association of Financial Aid Administrators, and Third Way, a centrist think tank, has called for reforms similar to those included in the bill. Original cosponsors of the bill include: Reps. Debbie Halvorson (IL-11), Ron Kind (WI-03), Betsy Markey (CO-04) and Glenn Nye (VA-02).

Bean's proposal follows the passage of the largest investment in college aid in U.S. history. The Health Care and Education Reconciliation Act of 2010, which Bean supported, lowers student loan costs, expands access through increased Pell grants and invests in community colleges

and trade schools.

“By operating the federal student loan program more efficiently, more students will have the opportunity to attend college, obtain the skills they need to be competitive in the workforce and graduate with less debt,” Bean said. “Access to an affordable, quality college education is central to building strong communities and increasing America’s competitiveness.”

The new law will make the government the originator of all federal student loans and ends subsidies to banks, while reducing the federal deficit by at least \$10 billion over 10 years.

Other key provisions of the Health Care and Education Reconciliation Act include:

- **Invests \$36 billion to expand and strengthen the Pell Grant program.** This investment closes the \$13.5 billion shortfall due to increased demands on the program.
- **Provides \$2 billion in competitive grants to community colleges** to develop programs and classes to help workers obtain the skills and education they need to be competitive in the 21st century.
- **Helps graduates repay their loans by expanding the income-based student loan repayment program** . Students who borrow after July 1, 2014, will see monthly payments that do not exceed 10 percent of their income.